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Jakarta, August 12, 2009

CIRCULAR LETTER

To

ALL BANKS, SECURITIES COMPANIES, MAIN DEALERS
AND THE INDONESIA DEPOSIT INSURANCE CORPORATION

Subject : Procedure of Auction and Administration of State Sharia
Securities

In relation with the stipulation of Bank Indonesia Regulation Number 10/13/PBI/2008 dated August 21, 2008 concerning Auction and Administration of State Securities (State Gazette of the Republic of Indonesia Year 2008 Number 123, Supplement to State Gazette of the Republic of Indonesia Number 4888), Bank Indonesia Regulation Number 10/2/PBI/2008 dated February 4, 2008 concerning Bank Indonesia-Scripless Securities Settlement System (State Gazette of the Republic of Indonesia Year 2008 Number 11, Supplement to State Gazette of the Republic of Indonesia Year Number 4809), Decree of the Minister of Finance Number 215/KMK.08/2008 dated August 15, 2008 concerning Appointment of Bank Indonesia as Administration Agent, Paying Agent, and State Sharia Securities Auction Agent in the Domestic Market and Regulation of the Minister of Finance Number 11/PMK.08/2009 dated February 2, 2009 concerning State Sharia Securities Issuance and Selling in the Domestic Primary Market Through Auction, it is deemed necessary to regulate the procedures and administration of State Sharia Securities in circular letter as follows:

I. GENERAL PROVISIONS

In this Circular Letter, the following terms shall have the meaning provided below:

1. State Sharia Securities (*Surat Berharga Syariah Negara*) hereinafter abbreviated to SBSN, or referred to as State *Sukuk*, are state securities issued under the principles of sharia in rupiah currency as evidence of the portion of shares in the State Sharia Securities assets.
2. Short-Term State Sharia Securities or referred to as Sharia Treasury Bills are State Sharia Securities having the maturity up to 12 (twelve) months with return payment in the form of coupons and/or by discount.
3. Long-Term State Sharia Securities are State Sharia Securities having the maturity of more than 12 (twelve) months with return payment in the form of coupons and/or by discount.
4. State Sharia Securities Auction is the selling of State Sharia Securities participated by:
 - a. Auction participants, Bank Indonesia, and/or the Indonesia Deposit Insurance Corporation, in the case of Short-Term State Sharia Securities Auction; or
 - b. Auction participants and/or the Indonesia Deposit Insurance Corporation, in the case of Long-Term State Sharia Securities Auction,by submitting Competitive Bidding and/or Non-Competitive Bidding in a period of offer as previously determined and announced through the system provided by the agent organizing the State Sharia Securities Auction.
5. Auction Participants are banks, securities companies, and members of the main dealer appointed by the Minister of Finance as participants of State Sharia Securities Auction in the domestic primary market.
6. Bank is a Commercial Bank as intended in Law Number 7 Year 1992 concerning Banking as having been amended by Law Number 10 Year 1998 and Sharia Commercial Bank Syariah and Sharia Business

Unit as intended in Law Number 21 Year 2008 concerning Sharia Banking.

7. Securities Company is the securities company as intended in Law Number 8 Year 1995 concerning Capital Market which conducts business activities as a securities underwriter.
8. Main Dealer is the Main Dealer as intended in Minister of Finance Regulation concerning Main Dealer System.
9. Party is an individual person, or a group of people and/or assets organized in both in the form of legal entity or non-legal entity, Bank Indonesia, or the Indonesia Deposit Insurance Corporation.
10. The Indonesia Deposit Insurance Corporation (*Lembaga Penjamin Simpanan-LPS*) is the institution established under the Law concerning the Indonesia Deposit Insurance Corporation.
11. Primary Market is the activity of offering and selling of the State Sharia Securities for the first time.
12. Secondary Market is the activity of trading the State Sharia Securities that have been sold in the Primary Market.
13. Competitive Bidding is a submission of bidding by stating:
 - a. the volume and yield level desired by the bidder, in the case of State Sharia Securities Auction by fixed coupon payment or coupon payment by discount; or
 - b. the volume and price desired by the bidder, in the case of State Sharia Securities Auction with floating coupon.
14. Non-Competitive Bidding is a submission of bidding by stating:
 - a. the volume without the yield level desired by the bidder, in the case of State Sharia Securities Auction by fixed coupon payment or coupon payment by discount; or
 - b. the volume without the price desired by the bidder, in the case of State Sharia Securities Auction with floating coupon.

15. Bank Indonesia – Real Time Gross Settlement System hereinafter referred to as the BI-RTGS System, is a system of electronic fund transfer between members of the BI-RTGS System in rupiah currency the settlement of which is performed at once per individual transaction.
16. Bank Indonesia – Scripless Securities Settlement System, hereinafter referred to as the BI-SSSS, is a means of transaction with Bank Indonesia including its administration and the administration of securities by electronic means and direct connection between the BI-SSSS members, the BI-SSSS operator and the BI-RTGS System.
17. Commercial Bank Daily Report (*Laporan Harian Bank Umum-LHBU*) is the report made and submitted daily by the reporting Bank to Bank Indonesia.
18. Sub-Registry is a Bank or institution performing custodian activities that qualified and approved by Bank Indonesia to perform the function of administration of securities including the State Sharia Securities for the interest of the client.
19. Multiple Price is the price paid by each winner of the State Sharia Securities Auction according to the offer price submitted by the winner concerned.
20. Uniform Price is the same price level paid by all winners of the State Sharia Securities Auction.
21. Weighted Average Price is the price acquired from the result of division between the amount of multiplication of each volume of State Sharia Securities with the price won and the total volume of State Sharia Securities sold.
22. Coupon is a payment that may be in the form of rent, profit sharing or margin, or other forms of payment according to the State Sharia Securities issuance contract, given to owners of State Sharia Securities until the end of the State Sharia Securities period.

23. Yield is the profit expected by the investor in a percentage per year.
24. Nominal Value is the value of State Sharia Securities in the name of a Bank and/or Sub-Registry registered in the BI-SSSS.
25. Business Day is the operational day of the payment system operated by Bank Indonesia.

II. PROCEDURE OF STATE SHARIA SECURITIES AUCTION IN THE PRIMARY MARKET

A. Terms and Conditions

1. Any party may submit a bid in State Sharia Securities Auction.
2. Purchase of State Sharia Securities by auction in the Primary Market by Parties other than Bank Indonesia and the Indonesia Deposit Insurance Corporation shall be performed via Auction Participants.
3. Bank Indonesia may purchase State Sharia Securities in the Primary Market only for Short-Term State Sharia Securities.
4. Purchase of Short-Term State Sharia Securities by Bank Indonesia shall only for and on behalf of itself.
5. The Indonesia Deposit Insurance Corporation may purchase State Sharia Securities in the Primary Market for Short-Term State Sharia Securities and Long-Term State Sharia Securities.
6. Purchase of Short-Term State Sharia Securities by the Indonesia Deposit Insurance Corporation shall only for and on behalf of itself.
7. Parties other than Bank Indonesia may purchase Short-Term State Sharia Securities and Long-Term State Sharia Securities in the Primary Market.

8. Parties other than Bank Indonesia and the Indonesia Deposit Insurance Corporation shall submit the bidding for State Sharia Securities via Auction Participants to Bank Indonesia as the auction agent.
9. Parties other than Bank Indonesia and the Indonesia Deposit Insurance Corporation shall submit the bidding for State Sharia Securities for and on behalf of themselves and/or other parties.
10. Bidding for State Sharia Securities may be performed by Competitive Bidding and/or Non-Competitive Bidding.
11. Bank Indonesia and the Indonesia Deposit Insurance Corporation may only submit Non-Competitive Bidding.
12. Auction Participants who submit the bidding for State Sharia Securities for and on behalf of themselves and/or via other Auction Participants may only perform a Competitive Bidding.
13. Auction Participants who submit the bidding for State Sharia Securities for and on behalf of Parties other than Bank Indonesia and the Indonesia Deposit Insurance Corporation shall submit their bidding by:
 - a. Competitive Bidding, in the case of Short-Term State Sharia Securities bidding; and
 - b. Competitive Bidding and/or Non-Competitive Bidding, in the case of Long-Term State Sharia Securities bidding.
14. The means used for the submission of bidding in the State Sharia Securities Auction is the BI-SSSS.
15. In the event that a Bank submits its bidding in State Sharia Securities Auction via Auction Participant, the relevant Bank

must set the daily Broker Bidding Limit for the appointed Participant of State Sharia Securities Auction.

16. Auction Participants other than Banks who submit bidding in the State Sharia Securities Auction must appoint a Sub-Registry to perform settlement and administration of the result of the State Sharia Securities Auction.
17. Sub-Registry as intended in number 16 must set the daily Broker Bidding Limit for Auction Participants for the interest of Sub-Registry clients.
18. Bank Indonesia shall announce the plan of State Sharia Securities Auction by no later than 1 (one) business day prior to the day of auction through the BI-SSSS, the Commercial Bank Daily Report and other means determined by Bank Indonesia.
19. Announcement of the plan of State Sharia Securities Auction as intended in number 18 shall at least state:
 - a. type and serial number;
 - b. Auction Participants;
 - c. time of auction;
 - d. the indicative amount offered;
 - e. period;
 - f. issuance date;
 - g. settlement date;
 - h. maturity date;
 - i. type of currency; and
 - j. time of auction result announcement.

B. Organization of Auction

1. Auction of the State Sharia Securities shall be performed from 10.00 until 12.00 West Indonesia Time or other times as

determined by the Minister of Finance *c.q.* the Director General of Debt Management.

2. Volume offer and Yield or price level in Competitive Bidding and Non-Competitive Bidding shall be performed with the following conditions:
 - a. the lowest volume offer shall be 1,000 (one thousand) units or Rp.1,000,000,000.00 (one billion rupiah) and the rest is with a multiple of 100 (one hundred) units or Rp.100,000,000.00 (one hundred million rupiah); and/or
 - b. Yield level offer shall be submitted with a multiple of $\frac{1}{32}$ (one per thirty-two) or 0.03125 (three thousand one hundred and twenty-five per one hundred thousand) for fixed Coupon and zero coupon bond/State Sharia Securities, while price offer shall be submitted with a multiple of 0.05% (five per ten thousand) for floating Coupon.
3. The Auction Participants, the Indonesia Deposit Insurance Corporation and/or Bank Indonesia shall be responsible for the correctness of the bidding data for State Sharia Securities.
4. The Auction Participants, the Indonesia Deposit Insurance Corporation and/or Bank Indonesia that have submitted their offer may not cancel the offer.

C. Stipulation of the Auction Winner

1. The Minister of Finance shall stipulate the result of State Sharia Securities Auction in the Primary Market that includes the Nominal Value won, the Coupon and/or discount rates, and the type and value of State Sharia Securities assets on the date of auction.

2. Stipulation of the result of State Sharia Securities Auction by the Minister of Finance can be in the form of acceptance of all or a part, or the rejection of all biddings submitted in the State Sharia Securities Auction.
3. Determination of price of the State Sharia Securities for the auction winner by Competitive Bidding shall be performed according to the Multiple Price method or the Uniform Price method.
4. Determination of price of the State Sharia Securities for the auction winner by Non-Competitive Bidding shall be performed based on the Weighted Average Price of the Competitive Bidding auction result.

D. Announcement of the Auction Result

1. Based on the stipulation of result of State Sharia Securities Auction in the Primary Market by the Minister of Finance, Bank Indonesia shall announce the result of State Sharia Securities Auction through the BI-SSSS, Commercial Bank Daily Report and other means determined by Bank Indonesia at the end of the day of State Sharia Securities Auction.
2. Announcement of the result of State Sharia Securities Auction as intended in number 1 shall at least state the whole Nominal Value won and the weighted average of Coupon and/or discount rates.
3. Bank Indonesia shall inform the result of State Sharia Securities Auction to each Auction Participant through the BI-SSSS which at least states the name of winner, the Nominal Value won and the Coupon and/or discount rates.
4. In the event that the Minister of Finance rejects all the biddings in State Sharia Securities Auction, Bank Indonesia

shall announce such rejection through the BI-SSSS, Commercial Bank Daily Report and other means determined by Bank Indonesia.

III. PROCEDURE OF ADMINISTRATION OF STATE SHARIA SECURITIES

A. Settlement of the result of State Sharia Securities Auction in the Primary Market

Bank Indonesia shall settle the result of State Sharia Securities Auction in the Primary Market with the following conditions:

1. Settlement of the result of State Sharia Securities Auction in the Primary Market shall be performed with the following conditions:
 - a. Settlement of result of Short-Term State Sharia Securities Auction shall be performed by no later than 2 (two) Business Days following the date of auction (T+2);and
 - b. Settlement of result of Long-Term State Sharia Securities Auction shall be performed by no later than 5 (five) Business Days following the date of auction (T+5).
2. In settlement of the result of State Sharia Securities Auction on behalf of clients, the Sub-Registry must appoint the paying Bank that owns a rupiah giro account in the BI-RTGS system for settlement of funds.
3. Based on the result of winner of the State Sharia Securities Auction stipulated by the Minister of Finance, Bank Indonesia shall perform settlement of the result of winner of the State Sharia Securities Auction.

4. Based on the settlement of result of winner of the State Sharia Securities Auction as intended in number 3, Bank Indonesia shall perform registration of the State Sharia Securities issuance.
5. Registration of State Sharia Securities issuance as intended in number 4 shall be performed according to the terms and conditions determined by the Minister of Finance.
6. Settlement of the result of winner of the State Sharia Securities Auction as intended in number 4 shall be performed as follows:
 - a. Settlement of Funds
Settlement of funds shall be performed through the BI-RTGS system by debiting the rupiah giro account of the Bank and/or paying Bank appointed by the Sub-Registry at Bank Indonesia, and crediting the rupiah giro account of the Government at Bank Indonesia in the amount of the settlement value.
 - b. Settlement of State Sharia Securities
Settlement of State Sharia Securities shall be performed by crediting the securities account of the BI-SSSS Member in the Central Registry in the amount of the total Nominal Value of the State Sharia Securities won.
7. The Bank and paying Bank appointed by the Sub-Registry must guarantee the sufficiency of funds in the rupiah giro account of the Bank and/or paying Bank at Bank Indonesia for the settlement of the result of State Sharia Securities auction.
8. In the case that the sufficiency of funds as intended in number 7 until the time limit of settlement of funds in the BI-RTGS

System (cut-off warning) is not fulfilled, the settlement of transaction of the result of State Sharia Securities Auction performed through the abovementioned Bank and/or paying Bank shall be declared as failed.

9. Upon the settlement of the State Sharia Securities as intended in number 6 letter b, the Sub-Registry must register the ownership of State Sharia Securities in the name of the client who won the State Sharia Securities individually in the Sub-Registry system on the same day.

B. Payment of Coupon and/or Nominal Value of State Sharia Securities

1. Bank Indonesia shall perform the payment of Coupon and/or Nominal Value of State Sharia Securities based on the position of ownership of the State Sharia Securities registered in the BI-SSSS on 2 (two) Business Days prior to the due date of payment of Coupon and/or Nominal Value of the State Sharia Securities (T-2).
2. Payment of Coupon and/or Nominal Value of State Sharia Securities as intended in number 1 shall be performed on the due date or on the next business day if the due date is a holiday, by debiting the rupiah giro account of the Government at Bank Indonesia and crediting the rupiah giro account of the Bank and/or paying Bank appointed by the Sub-Registry at Bank Indonesia in the amount of Coupon and/or Nominal Value of the State Sharia Securities.
3. On the same day as the payment day of Coupon and/or Nominal Value of the State Sharia Securities by Bank Indonesia, the Sub-Registry must pass the payment of Coupon and/or Nominal Value of the State Sharia Securities to the investor registered in the Sub-Registry.

C. Transaction of State Sharia Securities in the Secondary Market

1. Transactions of State Sharia Securities performed in the Secondary Market are outright transaction, sale transaction with a promise to repurchase (repurchase agreement or repo), State Sharia Securities guarantee transaction (collateral) or State Sharia Securities borrowing transaction with the guarantee of other securities (securities lending and borrowing).
2. Procedure of settlement of the transactions of State Sharia Securities in the secondary market as intended in number 1 shall be performed according to the provisions of Bank Indonesia regulating on the applicable BI-SSSS.

IV. CLOSING

Provisions in this Circular Letter shall come into effect as of August 12, 2009.

For public cognizance, this Circular Letter is ordered to be promulgated in the Official Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

HENDAR

DIREKTUR OF MONETARY MANAGEMENT

DPM